



Mains Practice Question

Q. Examine the role of Competition Commission of India in promoting economic democracy. What challenges does it face in regulating digital markets? **(250 words)**

22 Oct, 2024 GS Paper 2 Polity & Governance

Approach

- Start the answer with a brief introduction about Competition Commission of India
- Give Role of CCI in Promoting Economic Democracy
- Delve into Challenges in Regulating Digital Markets
- Suggest a way forward
- Conclude suitably.

Introduction

The **Competition Commission of India (CCI)**, established under the **Competition Act, 2002**, plays a pivotal role in promoting economic democracy in India. Its mandate is to **ensure fair competition, protect consumer interests, and prevent anti-competitive practices.**

Body

Role of CCI in Promoting Economic Democracy:

- **Preventing Anti-Competitive Practices:** The CCI actively investigates and prohibits anti-competitive agreements, such as cartels, price-fixing, and bid-rigging. These practices can stifle competition, reduce consumer choice, and inflate prices, harming the interests of consumers and small businesses.
 - In 2022, the **National Company Law Appellate Tribunal** upheld the Rs 873-crore penalty imposed by the CCI on beer manufacturers.
- **Regulating Mergers and Acquisitions:** The CCI **reviews mergers and acquisitions to assess their potential impact on competition.**
 - By preventing anti-competitive mergers, the CCI ensures that markets remain contestable and that consumers benefit from a variety of choices.
 - In 2023, CCI approved **Air India's acquisition of Vistara with certain conditions.**
- **Addressing Abuse of Dominant Position:** The CCI monitors the behavior of dominant firms to prevent them from abusing their market power.
 - Such practices can include **predatory pricing, tying, and bundling**, which can harm smaller competitors and limit consumer options.
 - **Example:** Investigation into **Google's Play Store billing policies** violation of **Section 4 of the Competition Act.**

Challenges in Regulating Digital Markets:

- **Global Nature of Digital Markets:** Digital platforms often operate on a global scale, making it difficult for **national antitrust authorities to regulate them effectively.**

- Coordination and cooperation with international regulators are essential to address cross-border competition issues.
- **Rapid Technological Advancements:** The rapid pace of technological change in the digital economy can **make it challenging for the CCI to keep up with the latest developments** and identify potential anti-competitive practices.
- **Data Privacy Concerns:** The collection and use of personal data by digital platforms like **WhatsApp's privacy policy**, raise privacy concerns and can create barriers to market entry for smaller competitors. Balancing competition concerns with privacy interests is a complex task.
- **Network Effects:** Digital markets often **exhibit network effects**, where the value of a platform increases with the number of users. This can create **barriers to entry and allow dominant platforms** to exercise significant market power.
- **Measurement of Market Power:** In digital markets, traditional measures of market power, such as **market share, may not be as effective**. The CCI needs to develop new tools and methodologies to assess market power in the digital context.

//

